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DE RUEHAN #0727/01 2891032
ZNR UUUUU ZZH
R 161032Z OCT 09
FM AMEMBASSY ANTANANARIVO
TO RUEHC/SECSTATE WASHDC 2944
INFO RUEHZA/AFRICAN UNION COLLECTIVE
RHMFISS/CDR USAFRICOM STUTTGART GE
RUEAIIA/CIA WASHDC
RUCPDOG/DEPT OF COMMERCE WASHDC
RUEATRS/DEPT OF TREASURY WASHDC

UNCLAS SECTION 01 OF 02 ANTANANARIVO 000727

SENSITIVE
SIPDIS

DEPARTMENT FOR AF/E - MBEYZEROV AND FOR OES/ENV
DOC FOR RTELCHIN
TREASURY FOR FBOYE
PARIS FOR WBAIN
LONDON FOR PLORD

E.O. 12958: N/A

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SUBJECT: ANTANANARIVO POL/ECON WEEKLY UPDATE (10/16/2009)

REF: A) ANTANANARIVO 710, B) ANTANANARIVO 707, C) ANTANANARIVO 701

11. (U) SUMMARY: This is U.S. Embassy Antananarivo's Weekly Update for October 5-16, an unclassified review of major political, economic, and commercial events and information from the U.S. Mission to Madagascar and the Comoros.

POLITICAL (paras 2-4)

- Ambassador Carter Visit
- Public Reaction to ICG
- Human Trafficking to Lebanon

ECONOMIC AND COMMERCIAL (paras 5-9)

- Vanilla Sector: Another Victim of Corruption
- Self-Help Site Visits in Comoros
- Rice Imports Planned to Cover Shortage
- Shipping Rates on the Rise
- AmCham Breakfast

END SUMMARY

POLITICS

12. (SBU) AMBASSADOR CARTER VISIT: Ambassador Phillip Carter visited Madagascar October 2-7 to lead the USG delegation to the International Contact Group (ICG) meeting organized by the AU to pressure the Malagasy political leaders to implement the August 9 Maputo accords for a power-sharing transition government. Ambassador Carter met with Embassy staff, members of civil society, the military, the mediation team, and the diplomatic corps during his stay (refs A, B, and C).

13. (SBU) PUBLIC REACTION TO RECENT POLITICAL EVENTS: HAT President Andry Rajoelina has been branded a "traitor" by factions loyal to outgoing Prime Minister Roindefo Monja, following Monja's recent replacement with a consensus candidate, Eugene Mangalaza. Monja's subsequent refusal to step aside in the face of domestic and international pressure, however, has tarnished his own image, leading some former supporters to accuse him of wishing to prolong the crisis for personal interest. On the other side, Ravalomanana is also reportedly losing credibility with the "silent majority" for his categorical refusal to cede the transition presidency to Rajoelina. Callers to radio programs generally express fatigue on all sides, with many hoping that planned talks this weekend would be the last. With Ravalomanana refusing to attend, talks have again been postponed (septel), and the public's already low opinion of the feuding politicians will only sink further.

14. (U) HUMAN TRAFFICKING TO LEBANON: Malagasy domestic workers in Lebanon have resurfaced as a trafficking concern. A recent article reported on a Malagasy woman who returned after just eight months in Lebanon, and has been sent to the Antananarivo psychiatric asylum upon her arrival. She is the seventh returnee from Lebanon received at this asylum. Another woman reportedly died in Lebanon, and the repatriation is currently being facilitated by the MFA. The Malagasy recruiting agency has offered no explanation to family members, and authorities have thus far been unresponsive to media inquiries.

ECONOMIC AND COMMERCIAL

15. (SBU) CORRUPTION DESTROYING VANILLA SECTOR: A representative of the leading American buyer of Malagasy vanilla told Emboff October 9 that "ridiculous" pricing policies were killing Madagascar's successful vanilla sector. Doug Daugherty explained that the current export price floor of USD 27 per ton, set by the Malagasy government, made legal Malagasy exports uncompetitive with the world market price of USD 20, even though Madagascar has the lowest global costs of production. Daugherty alleged that two large international buyers - Vanipro and Authentique Product - had bribed the commerce and finance ministers to implement the price floor to keep Malagasy vanilla off the global market so that they could unload stock held outside of Madagascar, which they had accumulated in anticipation of higher international prices due to vanilla blight. As a result, vanilla farmers (previously estimated at around 100,000) now unable to sell their product are switching from vanilla to rice or banana production, while vanilla collectors are focusing on lucrative illegal hardwood smuggling.

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16. (U) SELF-HELP SITE VISITS IN COMOROS: Emboff visited several ongoing SSH projects in Comoros, and conducted site visits for potential new projects. Out of the 11 projects from FY 2008, for which USD 60,000 was obligated, three have already finished while most of the others are near completion. An additional USD 60,000 will be obligated before December 31, 2009 for new projects.

17. (U) RICE IMPORTS: The Director General of internal trade at the Ministry of Trade declared that the country will import rice to cover the upcoming shortage period (from December to April). Rice producers, importers, and the government met in August and decided that with a national consumption of 2.4 million tons per year, the country needs to import 125,000 tons of rice before the end of 2009.

18. (U) RISING SHIPPING RATES: Beginning October 15, French shipping company CMA/CGM will increase its freight cost between Europe and the Indian Ocean by EUR 150 per 20 foot container, citing their desire to continue offering customers the same quality and reliability of services. This increase will have an impact on the cost of imported goods, as 80 percent of imported goods are sent by sea. The two other major shipping services, Mediterranean Shipping Company (MSC) and Maersk, said that they plan to keep their current rates.

19. (U) AMCHAM BREAKFAST: On Oct 15, around 70 people attended the monthly AmCham breakfast which featured guest speaker Patrick Hickey, the manager of the USD 4.5 billion Ambatovy mining project. The nickel and cobalt mine, the largest investment in Madagascar's history, is scheduled to complete construction in late 2010. Hickey explained that although the project only pays one percent in royalties for its refined product, the project is subject to several additional taxes and fees that, if considered as a whole, provide a fair take for the government (approximately 40 percent for government/60 percent for Ambatovy assuming nickel prices of USD 7). Based on projections over the thirty year lifespan of the project, using an average nickel price of USD 5, the government take is estimated to reach USD 1.7 billion. Hickey noted that, at least for now, pressure from the government to revise the terms of the investment, which is based on the large mining law, has ceased. He added that although there is turbulence at the top, the government

at the working-level continues to function. He noted the trend of increasing corruption on the island, and encouraged the AmCham members to "just say no", as Ambatovy had done.

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